



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

AUGRES-SIMS SCHOOL DISTRICT

AuGres, Michigan

Financial Statements

June 30, 2006

AUGRES-SIMS SCHOOL DISTRICT
AUGRES, MICHIGAN
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

August 31, 2006

To the Board of Education
AuGres-Sims School District
AuGres, Michigan

We have audited the accompanying financial statements of the governmental activities of AuGres-Sims School District, as of and for the year ended June 30, 2006, which comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of AuGres-Sims School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the AuGres-Sims School District as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
AuGres-Sims School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of AuGres-Sims School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

**AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This section of the annual financial report presents management's discussion and analysis of AuGres-Sims School District's performance during the fiscal year ending June 30, 2006. Please read this along with the financial statements that follow for a comprehensive understanding of the financial position of the School District.

Annual Report

The annual report consists of our Management's Discussion and Analysis, a series of financial statements, notes to those statements, and supplemental information. The financial statements are divided into two sections. The District-Wide Financial Statements (Government-Wide Financial Statements) provide information about the activities of the School District as a whole. They present a year-end aggregate view and a longer-term view of the District's finances. All funds and capital assets and debt are combined. The Fund Financial Statements (Governmental Fund Statements) provide more detail showing the year's activity by fund. They also show the amount available to finance future programs. Fund Statements do not include long-term items such as capital assets or long-term debt.

District-Wide Financial Statements

The District-Wide Financial Statements appear first in the financial statements. They present information on the School District as a whole. They show net assets and a statement of activities for the year. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Net assets, the difference between assets and liabilities, are one way of measuring the financial health of the School District. In the statement of activities, the revenues less the expenses result in an increase or decrease in the net assets. Increases or decreases in net assets, over time, affect the financial health of the District. However, the goal of the School District is to provide quality education and a safe environment, not to make a profit.

The statement of activities covers all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid, and State and Federal grants finance most of these activities.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Financial Statements

The Fund Financial Statements provide detailed information on a fund level instead of the School District as a whole. Some funds are required to be established by State law and by bond covenants. Many of the other funds are created to help control and manage money for a particular purpose or to meet legal responsibilities for certain taxes, grants, and other money. The governmental funds of the School District focus on showing how money flows into and out of funds and the balances left at year-end. They provide a detailed, short-term view of the operations and services of the School District. This helps determine whether more or fewer financial resources are available for future programs. An accounting method called modified accrual accounting is used in fund accounting. This method measures cash and all other financial assets that can readily be converted to cash.

The relationship between governmental activities (District-Wide Financial Statements) and governmental fund activities (Fund Financial Statements) will be reconciled later in the annual report.

Agency and Trust Accounts

The School District acts as an agent for various student activity funds. These net assets are reported in separate statements. We exclude these net assets from the School District's other financial statement because we cannot use these assets to finance our operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Summary of District-Wide Financial Statement

Table 1 provides a summary of our net assets as of June 30, 2006 and June 30, 2005. They represent the School District as a whole.

	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 1,189,417	\$ 1,521,017
Capital assets - net of accumulated depreciation	<u>6,998,564</u>	<u>7,199,843</u>
Total Assets	<u>8,187,981</u>	<u>8,720,860</u>
Liabilities		
Current liabilities	705,319	775,926
Long-term liabilities	<u>4,984,504</u>	<u>5,247,222</u>
Total Liabilities	<u>5,689,823</u>	<u>6,023,148</u>
Net assets		
Invested in capital assets - net of related debt	1,978,564	1,964,843
Restricted for debt service	202,758	167,563
Unrestricted	<u>316,836</u>	<u>565,306</u>
Total Net Assets	<u>\$ 2,498,158</u>	<u>\$ 2,697,712</u>

Analysis of Overall Financial Position and Results of Operations

The school district's net assets were \$2,498,158 as of June 30, 2006. Capital assets, net of related debt, totaled \$1,978,564. This represents the original cost, less depreciation of the School District's capital assets, less long-term debt related to capital assets. Restricted net assets of \$202,758 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets was unrestricted. The \$316,836 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Analysis of Overall Financial Position and Results of Operations (cont.)

The results of this year's operation for the School District as a whole are reported in the statement of Activities, which shows the changes in net assets for fiscal year 2006.

Revenue	2006	2005
Program revenue		
Charges for services	\$ 148,465	\$ 132,301
Grants and contributions	705,926	689,042
General revenue		
Property taxes	2,069,889	2,083,964
State foundation allowance	1,770,050	1,848,378
Other	80,859	38,450
Total Revenue	4,775,189	4,792,135
Function/Program expenses		
Instruction	2,655,603	2,579,576
Support services	1,452,989	1,498,849
Food services	233,844	243,539
Athletics	72,650	73,068
Interest & misc. expense on long-term debt	246,881	414,464
Depreciation (unallocated)	312,776	356,629
Total Expenses	4,974,743	5,166,125
Increase (decrease) in Net Assets	\$ (199,554)	\$ (373,990)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$4,974,743. Certain activities were partially funded through charges for services from those who benefited from the programs in the amount of \$148,465. Governments and other grantors subsidized certain programs with grants and categoricals in the amount of \$705,926. We paid for the remaining "public benefit" portion of our governmental activities with \$2,069,889 in taxes, \$1,770,050 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Analysis of Overall Financial Position and Results of Operations (cont.)

You will notice that net assets decreased by \$199,554 as opposed to \$373,900 in the prior year. Although revenue was down by approximately \$17,000 expenses were decreased by approximately \$191,000. Most of this decrease was due to a decrease in interest expense from a refunding of bonds in the prior year.

As discussed above, the net cost shows the financial burden that was placed on the State and the AuGres-Sims School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$822,706, which is a decrease of \$216,022 from last year. In the general fund, our principal operating fund, the balance decreased by \$251,217 to \$619,948. The decrease in the fund balance was the result of the District providing the same level of service while student enrollment declined. This decrease was not as large as the District had anticipated. The overall, actual General Fund revenue was within 92 percent of budgeted amounts.

The food service fund was almost self-supporting needing a transfer from the general fund of only \$1,242 to subsidize the program. The athletic fund needed a general fund transfer of \$38,234. However, that subsidy was down from \$44,558 in the prior year.

The debt service fund showed a fund balance increase of \$35,195. Millage rates are determined annually to ensure that the School District accumulates sufficient funds to pay annual bond issue-related debt service. The fund balance in the debt service fund is reserved since they can only be used to pay debt service obligations.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Fund Budget Analysis

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. For fiscal year 2005-06 the budget was amended December 2005 and June 2006. A budgetary comparison schedule showing the school district's original budget and final amended budget amounts compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

Final Budget vs. Original Budget

The general fund original budget revenues were \$107,931 less than the final budget estimate of \$4,091,373 or about 2.7%. Significant changes to the general fund original revenue budget were as follows:

- Local revenues increased overall by \$21,179. This increase was the combination of an increase in interest income and an increase in revenues received from Medicaid for School Based Health Programs.
- State revenues increased overall by \$77,431. This increase was the result of the \$175 increase in the per pupil state aid allocation

The general fund original budget expenditures were \$26,530 less than the final budget estimate of \$4,363,968 or less than 1%. The original budget was amended to include the following changes:

- We added payment of \$72,500 to the Department of Treasury to repay the overpayment of state aid as disclosed in the audit of the TIFA district of the City of Au Gres.
- Decreases in instruction are attributable to a decrease in health insurance premiums as the result of the district's professional staff changing health insurance plans.

Management believes the remainder of variances was not significant.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Actual vs. Final Budget

The general fund actual revenues were \$81,895 less than the final revenue budget estimate of \$4,091,373.

- This variance is due to Section 31A (At Risk) funds, Title I funds, and Comprehensive School Reform funds carried over to school year 2006-07. September 30, 2006 is the deadline for the Title and Comprehensive School Reform funds to be spent.

The general fund actual expenditures were \$103,273 less than the final expenditure budget projection of \$4,363,968.

- The added needs function actual was \$51,409 less than budgeted due to Section 31A (At Risk) funds and Title/Comprehensive School Reform funds were not expended.

Management believes the remainder of variances was not significant.

Capital Assets

The roof replacement project, in the amount of \$179,738, which was started at the end of school year 2004-05, was completed in 2005-06. No other capital projects have been budgeted for the school year 2006-07. However, the community is conducting upgrades to the athletic complex with donations and volunteers. The upgrades include new football field lights and a new field house/concessions stand. Completion date for both improvements is expected to be in the spring of 2007.

	2006	2005
Land	\$ 7,079	\$ 7,079
Construction in progress	9,800	78,041
Land improvements	307,964	307,964
Buildings	8,527,376	8,347,638
Library books	375,683	375,683
Machinery & Equipment	808,231	808,231
Furniture	334,200	334,200
Buses	456,358	502,182
Vehicles	42,297	42,297
Total Capital Assets	10,868,988	10,803,315
Less accumulated depreciation	3,870,424	3,603,472
Net Capital Assets	\$ 6,998,564	\$ 7,199,843

**AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Debt

As of June 30, 2006, the School District had \$5,323,112 in Long-Term Debt versus \$5,540,859 in the previous year – a change of 3.9%.

	<u>2006</u>	<u>2005</u>
Governmental Activities		
Bonds	\$ 5,020,000	\$ 5,235,000
Contracts payable/Retirement	84,722	18,055
Accrued compensated absences	6,616	6,588
Due to State of Michigan	211,774	281,216
Totals	<u>\$ 5,323,112</u>	<u>\$ 5,540,859</u>

The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District issued "qualified debt," such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt. Other obligations include employee-compensated absences, retirement incentives, and due to State of Michigan. The notes to the financial statements contain detailed information on long-term liabilities.

Economic Conditions Affecting Next Year's Budget

The District's student enrollment has been gradually declining. A preliminary student count for the 2006-2007 indicates the enrollment will decrease from 2005-2006 level by approximately 31 students. This will have a direct impact on the revenue the District will receive from the State.

The MPSERS retirement rate will increase to 17.74% as of October 1, 2006 from the current rate of 16.34%.

The contract for the AuGres-Sims Support Staff, representing the bus drivers, cooks, paraprofessionals, and maintenance staff, of our school district, remains unsettled for the 2006-2007 school year. While our budget adoption process will attempt to project for the settlement of this contract, the effect of the settlement can only be estimated.

In late September of 2006, the District responded to first set of interrogatories with respect to non-payment of health care benefits to MESSA in the early part of 2006.

AUGRES-SIMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions regarding this report, please contact:

Gary Marchel
Superintendent
AuGres-Sims School District
310 Court Street
P.O. Box 648
AuGres, Michigan 48703

AUGRES-SIMS SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities
Assets	
Cash	\$ 708,436
Receivables	71
Inventories	2,554
Due from other governmental units	464,039
Prepays	14,317
Capital assets less accumulated depreciation	6,998,564
Total Assets	<u>8,187,981</u>
Liabilities	
Current liabilities	
Accounts payable	85,825
Accrued liabilities	232,871
Deferred revenue	48,015
Bonds payable, due within one year	240,000
Retirement incentive, due within one year	29,166
Due to State of Michigan, due within one year	69,442
Long-term liabilities	
Bonds payable, due in more than one year	4,780,000
Retirement incentive, due in more than one year	55,556
Due to State of Michigan, due in more than one year	142,332
Compensated absences, due in more than one year	6,616
Total Liabilities	<u>5,689,823</u>
Net Assets	
Invested in capital assets net of related debt	1,978,564
Restricted for debt service	202,758
Unrestricted	316,836
Total Net Assets	<u>\$ 2,498,158</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 2,655,603	\$ 21,879	\$ 444,893	\$ (2,188,831)
Support services	1,452,989	11,200	111,746	(1,330,043)
Food services	233,844	81,854	146,203	(5,787)
Athletics	72,650	33,532	3,084	(36,034)
Interest & misc. expense on long-term debt	246,881	-	-	(246,881)
Depreciation (unallocated)	312,776	-	-	(312,776)
Totals	<u>\$ 4,974,743</u>	<u>\$ 148,465</u>	<u>\$ 705,926</u>	<u>(4,120,352)</u>
General revenues:				
Taxes:				
Property taxes levied for general purposes				1,584,373
Property taxes levied for debt service				485,516
State aid - unrestricted				1,770,050
Interest				51,567
Other				29,292
Total General Revenues				<u>3,920,798</u>
Change in Net Assets				(199,554)
Net Assets - Beginning of Year				2,697,712
Net Assets - End of Year				<u>\$ 2,498,158</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2006

	General	Food Service	Athletic	Debt Service	Totals
<u>Assets</u>					
Cash	\$ 478,944	\$ 4,991	\$ 5,144	\$ 219,357	\$ 708,436
Accounts receivable	-	71	-	-	71
Inventory	-	2,554	-	-	2,554
Due from other funds	41,179	-	-	-	41,179
Due from other governments	443,687	20,352	-	-	464,039
Prepaid expenditures	12,496	1,821	-	-	14,317
Total Assets	<u>\$ 976,306</u>	<u>\$ 29,789</u>	<u>\$ 5,144</u>	<u>\$ 219,357</u>	<u>\$ 1,230,596</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ 85,825	\$ -	\$ -	\$ -	\$ 85,825
Due to other funds	-	20,139	4,441	16,599	41,179
Deferred revenue	48,015	-	-	-	48,015
Accrued expenditures	222,518	9,650	703	-	232,871
Total Liabilities	<u>356,358</u>	<u>29,789</u>	<u>5,144</u>	<u>16,599</u>	<u>407,890</u>
Fund Balance					
Reserved for debt retirement	-	-	-	202,758	202,758
Designated for capital improvements	71,000	-	-	-	71,000
Undesignated & unreserved	548,948	-	-	-	548,948
Total Fund Balance	<u>619,948</u>	<u>-</u>	<u>-</u>	<u>202,758</u>	<u>822,706</u>
Total Liabilities and Fund Balance	<u>\$ 976,306</u>	<u>\$ 29,789</u>	<u>\$ 5,144</u>	<u>\$ 219,357</u>	<u>\$ 1,230,596</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO DISTRICT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances - Governmental Funds \$ 822,706

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is	10,868,988
Accumulated depreciation is	(3,870,424)

Long-term liabilities are not due and payable in the current period
and are not reported in the funds:

Bonds payable	(5,020,000)
Contracts payable/Retirement incentive	(84,722)
Compensated absences	(6,616)
Due to State of Michigan	(211,774)

Total Net Assets - Governmental Activities (District Wide)	<u>\$ 2,498,158</u>
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The accompanying notes are an integral part of these financial statements.

**AUGRES-SIMS SCHOOL DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006**

	General	Food Service	Athletic	Debt Service	Totals
Revenue					
Local	\$ 1,675,616	\$ 86,399	\$ 34,416	\$ 498,693	\$ 2,295,124
State	1,987,178	17,151	-	-	2,004,329
Federal	285,862	129,052	-	-	414,914
Other	60,822	-	-	-	60,822
Total Revenue	<u>4,009,478</u>	<u>232,602</u>	<u>34,416</u>	<u>498,693</u>	<u>4,775,189</u>
Expenditures					
Instruction					
Basic programs	2,030,579	-	-	-	2,030,579
Added needs	558,357	-	-	-	558,357
Support services					
Pupil	89,343	-	-	-	89,343
Instructional staff	193,893	-	-	-	193,893
General administration	172,919	-	-	-	172,919
School administration	226,201	-	-	-	226,201
Business	127,688	-	-	-	127,688
Operation and maintenance	443,476	-	-	-	443,476
Pupil transportation services	188,705	-	-	-	188,705
Central	214	-	-	-	214
Other	8,904	-	-	-	8,904
Building improvement service	111,498	-	-	-	111,498
Debt service	69,442	-	-	463,498	532,940
Food services	-	233,844	-	-	233,844
Athletic	-	-	72,650	-	72,650
Total Expenditures	<u>4,221,219</u>	<u>233,844</u>	<u>72,650</u>	<u>463,498</u>	<u>4,991,211</u>
Excess (Deficiency) of Revenues Over Expenditures	(211,741)	(1,242)	(38,234)	35,195	(216,022)
Other Financing Sources (Uses)					
Sources	-	1,242	38,234	-	39,476
Uses	(39,476)	-	-	-	(39,476)
Total Other Financing Sources (Uses)	<u>(39,476)</u>	<u>1,242</u>	<u>38,234</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(251,217)	-	-	35,195	(216,022)
Fund Balances - Beginning of Year	871,165	-	-	167,563	1,038,728
Fund Balances - End of Year	<u>\$ 619,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,758</u>	<u>\$ 822,706</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Governmental Funds	\$ (216,022)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are capitalized and depreciated over their estimated useful lives.	
Depreciation expense	(312,776)
Capital outlay	111,497
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	215,000
The proceeds from long-term debt are a revenue in the governmental funds, but not in the statement of activities	
Contracts payable/Retirement incentive	(75,000)
In the statement of activities, certain expenses (retirement incentives, compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid). This year, the amount of these items paid (earned) exceeded the amounts earned (paid)	
Compensated absences	(28)
Contracts payable/Retirement incentive	8,333
Due to State of Michigan	69,442
Change in Net Assets of Governmental Activities (District Wide)	<u>\$ (199,554)</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

Agency Funds

Assets

Cash, student organizations	\$ 49,491
Total Assets	<u>\$ 49,491</u>

Liabilities

Due to student organizations	\$ 49,491
Total Liabilities	<u>\$ 49,491</u>

The accompanying notes are an integral part of these financial statements.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The AuGres-Sims School District (the "School District") operates under an elected Board of Education and provides educational services to approximately 503 students.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

B. District-Wide Statements

The District-Wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the primary government. The purpose of these statements is to distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered to be governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not included among program revenues are reported instead as general revenue.

The District-Wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The District-Wide approach is focused more on the sustainability of the School District as an entity and the change in the District's net assets from the current year's activities.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The accounts of the School District are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following fund types are used by the School District:

Governmental Funds

The governmental fund statements are prepared using the current resources measurement focus and the modified accrual basis of accounting. The fund approach is focused on the currently available resources and changes in the currently available resources of the District.

General Fund is the general operating fund of the School District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Food Service and Athletic funds are special revenue funds.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School District programs.

The School District has opted to display information for all funds without regard to the criteria established by GASB 34 for determination of major funds. The School District's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used for activities or obligations of the government, these funds are not incorporated in the District-Wide statements.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Accounting basis relates to the timing of the measurements made regardless of the measurement focus applied.

Full Accrual

The full accrual basis of accounting records revenues when earned and expenses when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The modified accrual basis recognizes revenues when they are measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are still recognized when incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

E. Financial Statement Amounts

Cash

Cash includes cash on hand and demand deposits.

Receivables

Receivables consist of all revenues earned at year-end but not yet received. In general, outstanding balances between funds are reported as "due to/from other funds".

Inventories

Inventories consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Prepaid

Prepaid amounts consist of payments for which the District will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The School District does not possess infrastructure type assets.

Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	50 years
Land improvements	20 years
Buses and other vehicles	8 years
Furniture, equipment and computers	5-20 years

Accounts Payable

Accounts payable consist of items from which the District benefited during the current fiscal year but has not yet paid.

Accrued Liabilities

Accrued liabilities consist of amounts due on employees' contracts that are due and payable for the current fiscal year and items related to salaries payable, specifically the District's portion of FICA and Medicare taxes and retirement contributions.

Deferred Revenue

Deferred revenue represents amounts for which the District has received or is due to receive but has not yet earned. Deferred revenue is usually caused by the receipt of certain categorical funds that are not expended by the close of the fiscal year. The revenues are deferred until the proceeds have been fully expensed/expended.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

E. Financial Statement Amounts (continued)

Long-Term Liabilities

Bonds payable are the result of long-term obligations issued for the purpose of making capital purchases and improvements or the refinancing of previously issued obligations. Retirement incentives are the result of agreements made between the District and certain employees opting for early retirement. The liability for compensated absences reported in the District-Wide statements consist of unused, accumulated absence balances per support staff. The liability has been calculated based on a per employee limit of 100 days accumulated at a \$10.00 per day payment. Payments are to be made if an employee accumulates over the 100-day limit or retires. The District has concluded that estimating a current portion of compensated absences would be impossible; therefore, no portion is recorded as such. Due to the State of Michigan is as a result of a Department of Treasury audit in which the Department of Treasury concluded the District had been overpaid for state school aid. The Michigan Department of Education is allowing the District to repay the overpayment over five years.

Inter-fund Activity

Inter-fund activity is reported as loans, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables and are eliminated upon consolidation. Transfers are eliminated upon consolidation.

NOTE 2--Stewardship, Compliance, and Accountability

The School District is required to adopt an annual budget before the beginning of the fiscal year for the General Fund, Food Service Fund, and the Athletic Fund. The accounting basis of the budgets is the modified accrual method. Following are the procedures used in establishing the budgetary data reflected in the financial statements:

1. The District's Superintendent submits to the Board of Education a proposed budget by June 30 of each year. The budget includes proposed expenditures and the means to finance them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The Superintendent is authorized to transfer budgeted amounts within functional expense lines as approved by the Board; however, any revisions that alter functional expenditure lines of any fund must be approved by the Board of Education.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance, and Accountability (continued)

4. Budgeted amounts shown in the supplemental information reflect amendments through June 30.

The budgetary comparison presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by June 30. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. The School District variances are illustrated in the required supplemental information.

NOTE 3--Deposits and Investments

The School District is authorized, by the State of Michigan, to deposit its fund in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The District is also authorized to invest in the following:

- a. Direct bonds and obligations of the U.S. or agency or instrumentality,
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. Commercial paper – within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. Banker's acceptance of U.S. banks,
- f. Mutual funds – investments which local unit can make directly.

All cash is held by federally insured financial institutions. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposit for the \$100,000 limitation.

A summary of bank cash and investments is as follows:

	Total	Insured	Collateralized	Uninsured Uncollateralized
Cash				
General Fund	\$ 675,730	\$ 100,403	\$ -	\$ 575,327
Special revenue	10,338	-	-	10,338
Agency	50,250	-	-	50,250
Debt service	123,539	-	-	123,539
Total	<u>\$ 859,857</u>	<u>\$ 100,403</u>	<u>\$ -</u>	<u>\$ 759,454</u>

The primary objective of the District's investment policy, in priority order, of investment activities shall be safety, liquidity and yield.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4--Capital Assets and Accumulated Depreciation

Capital asset activity of the School District was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets not subject to depreciation				
Land	\$ 7,079	\$ -	\$ -	\$ 7,079
Construction in progress				
Athletic complex	9,800	-	-	9,800
Roof	68,241	-	68,241	-
Subtotal	85,120	-	68,241	16,879
Capital assets subject to depreciation				
Land Improvements	307,964	-	-	307,964
Buildings	8,347,638	179,738	-	8,527,376
Library books	375,683	-	-	375,683
Machinery & Equipment	808,231	-	-	808,231
Furniture	334,200	-	-	334,200
Buses	502,182	-	45,824	456,358
Vehicles	42,297	-	-	42,297
Subtotal	10,718,195	179,738	45,824	10,852,109
Total Capital Assets	10,803,315	179,738	114,065	10,868,988
Accumulated depreciation				
Land Improvements	233,508	10,776	-	244,284
Buildings	1,849,264	168,605	-	2,017,869
Library books	338,115	37,568	-	375,683
Machinery & Equipment	621,327	48,366	-	669,693
Furniture	144,046	16,710	-	160,756
Buses	382,247	29,418	45,824	365,841
Vehicles	34,965	1,333	-	36,298
Total Accumulated Depreciation	3,603,472	312,776	45,824	3,870,424
Total Net Capital Assets	\$ 7,199,843	\$ (133,038)	\$ 68,241	\$ 6,998,564

Depreciation expense was not charged to activity as the District considers its capital assets to impact multiple activities and allocation is not practical.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5--Inter-fund – Receivables, Payables, and Transfers

The makeup of inter-fund balances and transfers is as follows:

Due From/Due To			
Fund	Receivable	Fund	Payable
General	\$ 20,139	Food	\$ 20,139
General	4,441	Athletics	4,441
General	16,599	Debt	16,599
	<u>\$ 41,179</u>		<u>\$ 41,179</u>
Transfers			
Fund	Transfer In	Fund	Transfer Out
Food	\$ 1,242	General	\$ 1,242
Athletics	38,234	General	38,234
	<u>\$ 39,476</u>		<u>\$ 39,476</u>

For the year ended June 30, 2006, transfers from the general fund to the athletic and food service funds were to subsidize these programs.

NOTE 6--Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term debts include compensated absences, retirement incentives and due to the State of Michigan. Long-term debt activity is summarized as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
Governmental Activities					
Bonds	\$ 815,000	\$ -	\$ 165,000	\$ 650,000	\$ 190,000
Refunding bonds	4,420,000	-	50,000	4,370,000	50,000
Contracts payable/Retirement	18,055	-	8,333	9,722	8,333
Contracts payable/Retirement new	-	75,000	-	75,000	20,833
Accrued compensated absences	6,588	28	-	6,616	-
Due to State of Michigan	281,216	-	69,442	211,774	69,442
Totals	<u>\$ 5,540,859</u>	<u>\$ 75,028</u>	<u>\$ 292,775</u>	<u>\$ 5,323,112</u>	<u>\$ 338,608</u>

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6--Long-Term Debt (continued)

Annual debt service requirements to maturity for the above governmental bonds and retirement obligations are as follows:

Fiscal Year Ended	Due to State	Retirement & Compensated Absences	Bonds Principal	Interest	Total
2007	\$ 69,442	\$ 35,782	\$ 240,000	\$ 220,787	\$ 566,011
2008	69,442	26,389	265,000	209,438	570,269
2009	72,890	25,000	295,000	196,650	589,540
2010	-	4,167	315,000	182,162	501,329
2011	-	-	340,000	169,562	509,562
2012-2016	-	-	2,070,000	595,762	2,665,762
2017-2019	-	-	1,495,000	121,000	1,616,000
Totals	<u>\$ 211,774</u>	<u>\$ 91,338</u>	<u>\$ 5,020,000</u>	<u>\$ 1,695,361</u>	<u>\$ 7,018,473</u>

For the year ended June 30, 2006, the total interest paid on bonded debt was \$248,881.

Governmental Activities:

General obligation bonds consist of the following:

1999 partially refunded in 2005 serial and term bonds
due in annual installments of \$70,000 to
\$245,000 through May 1, 2009;
interest at 5.125% to 5.300%

\$ 650,000

2005 refunding serial bonds
due in annual installments of \$50,000 to
\$515,000 through 2019; interest 2.5% to 4%

4,370,000

Total Bonded Debt

\$ 5,020,000

NOTE 7--Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The District has joined together with other school districts in Michigan to form SET-SEG, a public entity risk pool currently operating as a common risk management and insurance program for member Michigan school districts. The District pays an annual premium to SET-SEG for its workers' compensation insurance coverage. The Agreement for formation of the SET-SEG provides that SET-SEG will be self-sustaining through member premiums. The District continues to carry commercial insurance for all other risks of loss.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8--Pension Plan

The School District's defined benefit pension plan provides retirement, survivor and disability benefits to its employees. The District participates in the Michigan Public School Employees Retirement System (MPERS), a cost sharing multiple-employer, statewide plan governed by the State of Michigan. Benefit provisions are established by state statute. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the MPERS Directors, PO Box 30673, Lansing, Michigan 48909 or by calling (517) 322-6235.

Funding Policy

The School District is required to contribute at an actuarially determined rate; the current rate at June 30, 2006 was 16.34% of covered payroll. Employees hired before January 1, 1990 contribute 3.9% of their gross pay. Employees hired January 1, 1990 or later contribute between 3% and 4.3%. The contribution requirements are established and may be amended by the State of Michigan.

The contribution requirements of plan members are established and may be amended by the State of Michigan. The District's contributions to MPERS for the current year and the preceding two years were \$398,274, \$365,180, and \$324,309, respectively, which was 100% of the annual required contribution.

NOTE 9--Operating Lease

The District has a lease for its copiers. Lease expense for the year ended June 30, 2006 was \$14,904. Subsequent payments are as follows:

<u>June 30,</u>	<u>Payments</u>
2007	\$ 14,904
2008	14,904
2009	14,904
2010	6,210
	<u>\$ 50,922</u>

NOTE 10--Self-Funded Insurance

The AuGres-Sims School District offers a self-insured dental and vision plan to all employees. Participants and their eligible dependents are entitled to benefits as outlined by the AuGres-Sims School District.

AUGRES-SIMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11--Deferred Compensation Plan

The AuGres-Sims School District established a Section 457(b) Deferred Compensation Plan for its employees. The plan, which became effective as of January 1, 2003, is available to all employees of the District. For 2006, employees can defer up to the lesser of the Internal Revenue Service threshold or 100% of their compensation. Contributions limits are subject to changes in U.S. Tax Laws. AuGres-Sims School District does not make any contributions to the Plan.

NOTE 12--Fund Balance Reservations and Designation

AuGres-Sims School District has reserved the following amounts in fund balance:

	General	Food Service	Debt Service	Total
Reserved for debt retirement	\$ -	\$ -	\$ 202,758	\$ 202,758
Designated for capital improvements	71,000	-	-	71,000
Total Reservations & Designations	<u>\$ 71,000</u>	<u>\$ -</u>	<u>\$ 202,758</u>	<u>\$ 273,758</u>

NOTE 13--Advance Refund of Bond Resulting in Defeasance of Debt

During the fiscal year ended June 30, 2005, the District issued \$4,420,000 in general obligation-refunding bonds with interest rates ranging between 2.50% and 4.00%. The District issued the bonds to advance refund \$4,470,000 of the outstanding series 1999 general obligation bonds with interest rates ranging from 5.25% to 5.30%. The District used the net proceeds along with other sources to purchase State and Local Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded 1999 series bonds. As a result, the 1999 series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$4,370,000 as of June 30, 2006.

The advance refunding reduced the total debt service payments over the next 16 years by \$460,617. This results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$234,293.

REQUIRED SUPPLEMENTAL INFORMATION

AuGres-Sims School District
Budgetary Comparison
For the Year Ended June 30, 2006

	General Fund			Special Revenue Funds (Food Service and Athletic)		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
						Positive (Negative) Variance
Revenue						
Local	\$ 1,650,836	\$ 1,672,015	\$ 1,675,616	\$ 130,450	\$ 119,987	\$ 120,815
State	1,971,664	2,049,095	1,987,178	12,890	17,151	17,151
Federal	303,698	311,438	285,862	115,500	126,000	129,052
Incoming transfers and other	57,244	58,825	60,822	47,095	45,607	39,476
Total Revenues	<u>3,983,442</u>	<u>4,091,373</u>	<u>4,009,478</u>	<u>305,935</u>	<u>308,745</u>	<u>306,494</u>
Expenditures						
Instruction						
Basic programs	2,151,404	2,029,008	2,030,579	-	-	-
Added needs	578,971	609,766	558,357	-	-	-
Support Services						
Pupil	90,160	89,678	89,343	-	-	-
Instructional staff	200,828	219,250	193,893	-	-	-
General administration	197,675	182,147	172,919	-	-	-
School administration	268,222	223,261	226,201	-	-	-
Business	117,405	129,942	127,688	-	-	-
Operation and maintenance	424,483	457,945	443,476	-	-	-
Pupil transportation services	176,913	183,422	188,705	-	-	-
Central	-	400	214	-	-	-
Other	11,000	9,700	8,904	-	-	-
Building improvement service	126,342	111,342	111,498	-	-	-
Food service	-	-	-	233,172	236,022	233,844
Athletic activities	-	-	-	72,763	72,723	72,650
Debt service	-	72,500	69,442	-	-	-
Outgoing transfers	47,095	45,607	39,476	-	-	-
Total Expenditures	<u>4,390,498</u>	<u>4,363,968</u>	<u>4,260,695</u>	<u>305,935</u>	<u>308,745</u>	<u>306,494</u>
Excess (Deficiency) of Revenues Over Expenditures	(407,056)	(272,595)	(251,217)	-	-	-
Fund Balance - Beginning of Year	871,165	871,165	871,165	-	-	-
Fund Balance - End of Year	<u>\$ 464,109</u>	<u>\$ 598,570</u>	<u>\$ 619,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

ADDITIONAL SUPPLEMENTAL INFORMATION

AuGres-Sims School District
Schedules of Outstanding Bonded Indebtedness
June 30, 2006

Date of Issue: November 8, 1999

Original Amount of Issue: \$5,890,000

Partially refunded in 2005

Purpose of the Issue: Erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings; and developing and improving sites.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.25	\$ 190,000	\$ 34,125	\$ 224,125
2008	5.25	215,000	24,150	239,150
2009	5.25	245,000	12,862	257,862
		<u>\$ 650,000</u>	<u>\$ 71,137</u>	<u>\$ 721,137</u>

Date of Issue: March 2005

Original Amount of Issue: \$4,420,000

Refunding Bonds

Purpose of the Issue: Erecting, furnishing, and equipping additions to and remodeling, refurbishing, and re-equipping school buildings; and developing and improving sites.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	2.75	\$ 50,000	\$ 186,662	\$ 236,662
2008	3.00	50,000	185,288	235,288
2009	3.25	50,000	183,788	233,788
2010	4.00	315,000	182,162	497,162
2011	4.00	340,000	169,562	509,562
2012	4.25	365,000	155,962	520,962
2013	5.00	390,000	140,450	530,450
2014	5.00	415,000	120,950	535,950
2015	5.00	440,000	100,200	540,200
2016	4.00	460,000	78,200	538,200
2017	4.00	480,000	59,800	539,800
2018	4.00	500,000	40,600	540,600
2019	4.00	515,000	20,600	535,600
		<u>\$ 4,370,000</u>	<u>\$ 1,624,224</u>	<u>\$ 5,994,224</u>

See independent auditor's report.

AuGres-Sims School District
Agency Funds
Schedule of Activity and Amount Due to Student Groups
For the Year Ended June 30, 2006

Activity Accounts	Cash Balance July 1, 2005	Cash Receipts	Cash Disbursements	Cash Balance June 30, 2006
Annual	\$ 74	\$ 1,120	\$ -	\$ 1,194
Art Club	143	-	-	143
Band Account	150	160	199	111
Baseball	1,146	4,041	2,866	2,321
Basketball/Boys	2,803	7,781	2,894	7,690
Basketball/Girls	2,601	3,018	2,408	3,211
Cheerleaders/JH	80	-	-	80
Cheerleaders/JV V	155	-	-	155
Class of 2005	644	120	757	7
Class of 2006	883	685	1,036	532
Class of 2007	30	2,194	817	1,407
Class of 2008	(30)	53	-	23
Delores Jose Corey Scholarship	3,250	-	500	2,750
Drama Club	1,700	1,145	1,712	1,133
Elementary Education	9,816	17,779	15,746	11,849
Football	3,708	4,794	7,374	1,128
French Club	122	-	-	122
Irene Nowak Scholarship fund	532	133	400	265
Leadership class	269	2,223	2,192	300
Library-JH/HS	(2)	-	-	(2)
Middle School Student Council	301	4,420	2,388	2,333
Miscellaneous	183	3,164	3,215	132
National Honor Society	458	822	861	419
Pay to Participate	-	10,990	11,050	(60)
Principal/Miscellaneous	431	1,518	1,445	504
Ron Christie Fund	-	2,278	1,500	778
Science Club	81	290	365	6
Softball	519	6,881	4,491	2,909
Special Ed	(136)	544	-	408
Student Assistance	22	-	-	22
Student Council	367	1,904	1,715	556
Student Purchases	4,105	14,268	13,987	4,386
Teachers	1,011	745	1,434	322
Tim Moore Scholarship Fund	-	1,000	1,000	-
Tom Wallis Scholarship Fund	620	3,006	3,626	-
Voice	16	-	-	16
Volleyball	1,235	5,224	4,522	1,937
Wood Shop	404	-	-	404
Total Due to Students Groups	<u>\$ 37,691</u>	<u>\$ 102,300</u>	<u>\$ 90,500</u>	<u>\$ 49,491</u>

See independent auditor's report.



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 31, 2006

To the Board of Education
AuGres-Sims School District
AuGres, Michigan

We have audited the financial statements of AuGres-Sims School District as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AuGres-Sims School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect AuGres-Sims School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AuGres-Sims School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gardner, Provenzano, Schaumman & Thomas, P.C.

Certified Public Accountants